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International Kosher Markets: Argentina, France, Israel, Moscow

Opportunities for U.S. Exporters



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Kosher Foods

Market Brief for Argentina

Market Size

The Jewish community in Argentina is estimated at 300,000 people mainly concentrated in specific neighborhoods in the city of Buenos Aires and its suburbs. There are some small Jewish communities of 30 to 40 people each in the Provinces of Entre Ríos and Córdoba. Other kosher food consumers are Muslims and Seventh Day Adventists, but they represent only a small portion of the market.

Trends in Consumption

Argentina's Orthodox Jewish community, estimated at approximately 4,000 to 4,500 people, eat only kosher foods. On the other hand, non-orthodox Jews eat only kosher foods during religious celebrations: Passover (March/April) and the New Year (September/October). There are a couple of new conservative Jewish communities where members are not as strict in following the "Kashrut" (Jewish ethic), but they eat kosher foods at all times. As a result, it is difficult to determine the total market for kosher foods in Argentina. At this point, there is no trend towards non-Jewish consumers eating kosher foods. In general, these products are marked by kosher certification symbols which are not familiar to non-Jewish consumers.

It is estimated that 50 percent of kosher food products are manufactured locally and the remaining 50 percent are imported mainly from Israel and the United States. Importers usually consolidate one or two containers with a large number of different products for religious celebrations.

Orthodox Jews do their regular shopping in a few small supermarkets where kosher delicatessen items and other food products, either imported or manufactured locally, can be purchased. Some time ago, the first kosher fast-food "burger" restaurant was inaugurated. However, it did not prove to be successful and it was closed shortly afterwards. Today, there are two kosher "barbecue" restaurants (parrillas) in Buenos Aires.

The most important kosher products are crackers, bakery products, soups, confectionery, candy, canned fish, fruits, vegetables, mayonnaise, chocolate, wine, sparkling wine, caviar, surimi, cold cuts, canned fruits and vegetables, cheese, and cereals. Beef and dairy products are also widely consumed but domestic production is adequate for the limited Argentine market.

As they do with other food products, kosher food importers require a signed contract with the foreign exporter granting exclusive representational rights for the marketing of the products in Argentina. They are responsible for the promotion of the product in the market and for the follow-up at the point-of-sale until it reaches the consumer.

Prices of kosher food products are 30 - 40 percent higher than those of regular food products of the same quality. Prices for some products, such as canned vegetables, can be 100 percent higher.

Kosher Wine

Local production of kosher wine is not significant and very poor in quality compared to imported products. Most kosher wine is imported from Israel. Several attempts have been made to import wine from the United States. Except for Manischewitz wines (fruit flavors), which are being sold in a couple of hyper/supermarkets, it is hard for importers to come to an agreement with U.S. suppliers on two issues: analytical composition (especially, the percentage of sugar component), and the corresponding analytical certificate (which refers to the chemical and quantitative analyses) of kosher wines. Both items are required by Argentina's National Wine Institute.

Kosher Certification

Regarding certification of kosher foods, the "OU" (Union of Orthodox Rabbis) is widely accepted although it is not satisfactory among most religious communities. Other accepted certifications are "K" ("Parve," a product containing neither dairy nor meat ingredients), and "OK."

Import Regulations and Labeling Requirements

Argentine import regulations and labeling requirements for regular food products also apply to kosher foods. (For additional information, see the "Generic Import Regulations for U.S. Foods and Other Agricultural Products" report prepared by the Office of Agricultural Affairs, Buenos Aires, Argentina.)

Promotion of U.S. Kosher Foods and Beverages

Although the Argentine market for kosher foods is limited, the best way to promote U.S. kosher food products in Argentina is to work jointly with a few local importers to organize food promotions, and invite food importers and contacts from hyper/super-markets, the Hotel, Restaurant, and Institution (HRI) sector, etc., to attend. The objective would be to make the general consumer aware of the health and quality standards of kosher foods, which are similar to those of organic foods. Kosher food seals should also be made known among non-Jewish audiences as guarantees of healthy and high-quality foods. However, due to the relatively high prices of kosher foods, marketing should be addressed to customers with a high purchasing power.

Encouraging local companies to visit the annual Kosherfest Food Show in the United States is another tool to promote U.S. Kosher foods in Argentina.

Representative Retail Prices of Kosher Foods and Beverages in Argentina (21 percent value-added tax included)

Product	Size	Price (US\$)
Butter	200 g	2.75
Shelled nuts	250 g	4.70
Potato chips	400 g	4.90
"Azimo" bread, sweet	500 g	6.30
Cereals	156 g	5.00
Crackers, Graham flour	200 g	1.99
Lemon juice	1 qt	2.90
Peach slices	820 g	2.95
Honey	16 oz	3.90
Wine, white	750 cc	7.99
Burgers	330 g	2.85
Broiler	1 kg	3.50
Salami (smoked Vurscht without pork)	456 g	6.61
Toasted pasta	400 g	2.19

Kosher Food Importers

For information on kosher food importers, please contact:

Agricultural Affairs Office
American Embassy, Buenos Aires,
Unit 4325
APO AA 34034-001
Tel: (54-1) 777-8054
Fax: (54-1) 777-3623
E-mail: agbuenosaires@fas.usda.gov

Other Sources of Information

Embajada del Estado de Israel
Avda. de Mayo 701, piso 10
Buenos Aires
Tel: (54-1) 342-1465/1497/6932
Fax: (54-1) 345-6674

Rabinato de la Asociacion Mutual
Israelita Argentina (AMIA)
Tucuman 2166, piso 1, of. 9
Buenos Aires
Tel: (54-1) 375-4545/4514

Promocion de Exportaciones Carnicas
(PROCAR)
Subsecretaria de Alimentos
Secretaria de Agricultura, Ganaderia,
Pesca y Alimentacion
Avda. Paseo Colon 922
1063 Buenos Aires
Tel: (54-1) 349-2246/2251
Fax: (54-1) 349-2291/2292
E-mail: procar@sagyp.mecon.ar

Delegacion de Asociaciones Israelitas
Argentinas (DAIA)
Ayacucho 632, piso 6
Buenos Aires
Tel: (54-1) 375-4743/4729/4730/0036

Camara de Comercio Argentino-Israeli
Avda. Corrientes 1312, E.P.
1043 Buenos Aires
Tel: (54-1) 371-0339
Fax: (54-1) 372-6273.



Kosher Foods

Market Brief for France

Summary

France has one of the largest Jewish communities in Europe (approximately 750,000 persons), with nearly half (400,000) concentrated in Paris and nearby suburbs. While Orthodox Jews are the main consumers of kosher foods, other French consumers, such as Muslims, also seek out kosher foods. Half of the kosher food sold is manufactured in France, with most of the other half imported from Israel (wines, condiments, delicatessen products), Poland, and North Africa.

The demand for kosher products steadily increased between 1980 and 1997, but it has remained relatively stable since. At the same time, imports of kosher food products into France appear to be increasing, especially since a few years ago when a specialized kosher supermarket (Cash Casher Naouri) was created.

Kosher products should display the letter "K." Delicatessen products require a round logo that contains in the middle the word "casher" (kosher) written in French and Hebrew, plus the name of the city where the rabbi officiates.

Market Access

The consumption of kosher foods in France is linked primarily to the Jewish community, especially Orthodox Jews, and to a lesser extent the Muslim community.

France's Jewish community has a long history, with the first traces reaching back to the Roman invasion of France in the first century A.D. Later, in 1870, when Prussia captured the two French provinces of Alsace and Lorraine, many French Jews left the eastern parts of the country and moved to Paris. More recently, a large number of French Jews in Algeria returned to southern France after Algeria's independence in 1962.

About 400,000 members of the current French Jewish community reside in Paris and its suburbs. Other large Jewish communities are found in the cities of Marseille, Toulouse, Montpellier, Nice, Strasbourg, and Lille.

France defines the Jewish community according to origin. There are two main groups: "Ashkenazim," from Northern and Eastern European countries, and "Sepcharadim," from the Mediterranean basin countries (Algeria, Lebanon, Morocco, Syria, Tunisia, etc.).

Trends in Consumption

A complete listing of importers, retailers, and wholesalers of kosher food products in France is unavailable and the lack of statistics makes it impossible to accurately determine the exact size of the market. However, several supermarket chains including Carrefour, Casino, Franprix, Leclerc, Monoprix, and Promodes carry kosher food products. The number of products varies, depending on the proximity of the supermarket to a Jewish district. For example, a Franprix in the 11th district of Paris (a large Jewish community) carries a large number of kosher food products and kosher wines. Supermarkets sell 80 percent of the kosher wines sold in France.

Orthodox Jews make up about 15 percent of the Jewish population and are the main consumers of kosher foods. During Jewish festivities, kosher food sales often increase by up to 300 percent. Some of the important French Jewish celebrations are Passover, Rosh Hashana, Yom Kippur, and Succoth. In addition, Bar Mitzvahs and weddings in France occur mainly in June and July.

The largest number of kosher food products sold are snacks, condiments, sauces, and wines. Kosher products are currently found on special shelves in most supermarket chains. Kosher delicatessen products (poultry and beef) are also starting to appear in the marketplace.

Retail and Institutional Sales

Kosher products in supermarket chains are usually found in special kosher food sections in the grocery area. Some other special retail shops, such as Emeth, carry only kosher foods. Emeth has 223 retail shops in France where dry, fresh, and frozen kosher products from Europe and Israel are available (including kosher sweets from the United States).

Cash-Casher Naouri is the only specialized kosher food supermarket chain in France, with 16 supermarkets that offer more than 1,600 different products (fresh, frozen, fruit juices, spices, etc). It is also the only supermarket that strictly respects the Sabbath by closing each Friday in winter at 2:00 p.m. (summer at 4:00 p.m.) and not reopening until the following Sunday morning. Cash-Casher Naouri works closely with the central buying office of Kineret Diffusion, which is located in the Rungis wholesale market in Paris and has a 3,000-square-meter warehouse. Kineret Diffusion is the main importer in France of kosher food products from Europe and Israel.

During Jewish festivities, Paris has about 80 Jewish caterers that serve kosher wines and champagnes authorized and certified by the Beth-Din of Paris. Most of the authorized wines are from Israel, which makes imports of kosher wines from other countries, including the United States, difficult. The taxes on wines imported from Israel (Carmel) are 8-10 percent per bottle.

Packaging, Labeling, and Certification

To be accepted and recognized as kosher, products must have the "K" identification with the name of the rabbi who certified the product. For delicatessen products, the word "cashier" must appear in both French and Hebrew, with the name of the city of the rabbi. The seal "OU" (Union of Orthodox Rabbis) is not recognized in France.

During the wine harvest, a rabbi is on the property to inspect the vineyards. In the fish industry, a rabbi in the processing plant verifies that all the fish are kosher (with fins and scales). If non-kosher fish are mixed with kosher fish, they all become non-kosher.

In France, the certification of kosher foods is controlled by the Beth-Din "House of Law." This institution identifies and verifies all kosher food products sold in France. The kosher food industry in France appears to be somewhat closed and secretive. The most interest shown by importers is for kosher delicatessen products, with some interest aimed at kosher wines.

Market Opportunities

The best potential for U.S. foods in the French kosher market is for condiments, including mustard, sauces, and wines.

For further information contact:

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E-mail: FasParis@Compuserve.com
Internet: www.amb-usa.fr/fas/fas.htm

Importers of Kosher Food Products

BORNIBUS

201, rue Jules Ferry
95360 MONTMAGNY
(Condiments and mustards)
Contact: Mr. Guy Barre
Tel: 01-39-34-77-00
Fax: 01-39-34-77-48

FJORD KING

7, avenue Danville
94600 CHOISY LE ROI
Contact: Mr. Elie Benhamou
(Salmon)
Tel: 01-48-52-61-61
Fax: 01-48-52-72-34

MEDIAL*

56, boulevard du Capitaine Ghèze
13014 MARSEILLE
Contact: Mr. Francis Cohen
Tel: 04-91-98-49-50
Fax: 04-91-58-11-48

LESIEUTRE & CIE

3, rue des Artisans
42300 ROANNE
Contact: Mr. Georges Taieb
(Looking for CA kosher wines)
Tel: 04-77-70-57-96
Fax: 04-77-70-03-47

OLIVES PROVENCE

Les Estroublans
15 Deuxième Avenue - Z.I.
13127 VITROLLES
Contact: Mr. Gérard Aziza
Tel: 04-42-10-98-98
Fax: 04-42-10-98-97

TRANS AMERICAN BROKERS EUROPE (TAB)

Geroldshauser Str. 37
D-97271 KLEINRINDERFELD
Contact: Daniel Samet
Tel: (33-49) 9366-99250
Fax: (33-49) 9366-99252

*Wholesaler that sells to the French retailers, and to supermarket chains, such as Casino, Leclerc, and to Cash-Casher Naouri. MEDIAL, created in 1978, is the kosher food pioneer in France.

Kosher Food Supermarkets and Retail Shops

Supermarkets:

EMETH CASH

30/32 avenue Jean Mermoz
93120 LA COURNEUVE
Contact: Mike Elliott
Tel: (33-1) 43-11-1818
Fax: (33-1) 43-11-1811

CASHER NAOURI

26, boulevard Paul Vaillant Couturier
94200 IVRY SUR SEINE
Contact: Mr. Franck Naouri
Tel: (33-1) 45-15-2555
Fax: (33-1) 45-15-2550

Retail Shops:

CAROLYD
77, rue Albert Garry
94450 LIMEIL-BRÉVANNES
Contact: Mr. Fellous
Tel: (33-1) 45-99-2230
Fax: (33-1) 45-99-2995

FRANÇOIS
45, rue Richer
75009 PARIS
Tel: (33-1) 47-70-1743

CHEKEL
14, avenue de Villiers
75017 PARIS
Tel: (33-1) 48-88-9497
Fax: (33-1) 48-88-9450

LES AILES BOUTIQUE
15, rue des Fermiers
75017 PARIS
Tel: (33-1) 44-15-9393
Fax: (33-1) 44-15-9300

RIVIERA CACHER
11, avenue Villemont
06000 NICE
Tel: (33-4) 93-92-9200
Fax: (33-4) 93-80-9543

KGEL
11, rue Fricero
06000 NICE
Tel: (33-4) 93-86-3301
Fax: (33-4) 93-44-9178

CANNES CACHER
10, rue Louis Braille
06400 CANNES
Tel: (33-4) 93-39-8508

YARDEN
13, bd de la Marne
67000 STRASBOURG
Tel: (33-3) 88-60-1010

DOUIEB
11, bis rue Geoffroy Marie
75009 PARIS
Tel: (33-1) 47-70-8690
Fax: (33-1) 44-79-0690

LE HAIM
6, rue Paulin Enfert
75013 PARIS
Tel: (33-1) 44-24-5334

COMPTOIR PRODUITS ALIMENTAIRES
111, avenue de Villiers
75017 PARIS
Tel: (33-1) 42-27-1691
Fax: (33-1) 42-27-8300

CHOCHANA
54, avenue Secrétan
75019 PARIS
Tel: (33-1) 42-41-0116

SUPER CASH COLBO
14, rue Michelet
06000 NICE
Tel: (33-4) 93-52-1515
Fax: (33-4) 93-52-9229

MICKAEL
37, rue Dabray
06000 NICE
Tel: (33-4) 93-88-8123
Fax: (33-4) 93-88-3126

YARDEN
3, rue Pinkmatt
67000 STRASBOURG
Tel: (33-3) 88-22-4976

LEVY
4, rue Strauss Durckheim
67000 STRASBOURG
Tel: (33-3) 88-35-6821

AVIEL CASH
28, rue St Suffren
13006 MARSEILLE
Tel./Fax: (33-4) 91-37-9525

Z. CACHER
206, boulevard Paul Claudel
13009 MARSEILLE
Tel: (33-4) 91-74-3001

KING CACHER
25, rue F. Mauriac
13010 MARSEILLE
Tel: (33-4) 91-80-0001
Fax: (33-4) 91-79-9938

DELI CASH
94, bd Barry
13013 MARSEILLE
Tel: (33-4) 91-06-3904

CACHER VILLEROY
32, rue Villeroy
69003 LYON
Tel: (33-4) 78-71-7222

MAXICASH
44 Cours Tolstoi
69100 VILLEURBANNE
Tel: (33-4) 78-85-0080
Fax: (33-4) 78-03-3988

SUPERETTE EMMANUEL F.
93, avenue Clot Bey
13008 MARSEILLE
Tel: (33-4) 91-77-4602
Fax: (33-4) 91- 71-2355

RAPHAEL CASH
299 avenue de la Madrague
13009 MARSEILLE
Tel: (33-4) 91-76-4413

TAIM VENAİM
Montee Sainte Menet
13011 MARSEILLE
Tel: (33-4) 91-44-1121

EPICERIE DE l'ACIM
45, rue Proudhon
34000 MONTPELLIER
Tel: (33-4) 67-02-1099
Fax: (33-4) 99-58-3581

LORICASH
140, rue Dedieu
69100 VILLEURBANNE
Tel: (33-4) 78-03-2479
Fax: (33-4) 78-68-0787



Kosher Foods

Market Brief for Israel

Summary

Average annual food consumption expenditure in Israel (at fixed prices) has risen at a rate of about 3 percent per capita through most of this decade. Presently, it stands at less than 25 percent of total household expenditures. Israel has a population of approximately 6 million, with an additional 2 million in the Palestinian Authority (PA), or what used to be known as the West Bank and Gaza. A large variety of ethnic groups make up the market, including ultra-Orthodox Jews, new immigrants from the former Soviet Union, and Israeli Arabs. Buying power of the Palestinian market is less than one-tenth that of the Israeli market.

Supermarket chains have a share approaching 60 percent of the total retail market, and the two largest chains together enjoy more than a 30-percent share of the total market. In recent years, consumer expenditures have shifted from neighborhood stores and open-air markets to supermarket chains. This increases market opportunities for U.S. exporters, especially for kosher foods. All major supermarket chains and hotels adhere strictly to the kashrut requirements set out by Israel's Chief Rabbinate, by law the sole authority for determining kashrut in Israel.

Major food growth areas include soft drinks, fish, chocolate and candy, alcoholic beverages (both wine and spirits), meat, and poultry. International companies such as Coca Cola, Pepsi Cola, Nestle, Del Monte, Unilever, Sara Lee, Philip Morris, Pillsbury, and Danone have made strong inroads into Israel's food market, either through independent penetration or through strategic alliances with one or more large Israeli companies.

Annual food imports to Israel total approximately \$2 billion, of which 60 percent are raw materials for the agricultural and food industries and 40 percent are for direct consumption. The principal imported food products are food grains (especially wheat), sugar, soybeans for the vegetable oil industry, beef, fish and its products, animal feed, and a wide range of processed foods.

Imports of food products from the United States to Israel totaled \$598.1 million in 1997, and accounted for 28.3 percent of total Israeli food imports. The U.S. share is especially high for fruit and nuts, food and feed grains, oilseeds, and cigarettes. In September 1998, the weights and measures standards for packaged foods were abolished, providing an opportunity for U.S. manufacturers to capture an important segment of the market previously controlled mainly by European exporters. The standards had excluded package sizes in multiples of half-pounds or pints.

U.S. manufacturers are known for the quality of their products and the dependability of delivery. In many cases, importers prefer high-quality U.S. food products to less expensive ones from other sources, the quality of which may be questionable. The products with the highest growth potential for U.S. exporters in the short term include fish and fish products, pasta, pastry products (especially frozen cakes, specialty breads, and pizzas), jams, hard cheese products with long shelf-lives, mixed nuts, cereals, and wine.

The meat and poultry sector could realize the most growth for U.S. exporters in the long term. If current stringent import restrictions are relaxed and U.S. exporters make the necessary investments in market development, in the next 10 years, U.S. producers may capture increased shares of Israel's meat and poultry markets—in the case of meat, perhaps as much as a 15 percent share of the 100,000-metric-ton annual demand. Estimates reveal that 60 - 80 percent of the population prefers kosher meat.

U.S. producers must be aware of the strong competition in the market from European suppliers and other countries. Market penetration by U.S. products is dependent on investment in sales promotion and market development. Once successful in finding a niche market for their products, U.S. suppliers who demonstrate consistent quality and reliability, accompanied by responsiveness to importer needs, will find the Israeli market will reward them with a high degree of loyalty and increasing consumer demand for their products.

Israel's isolationist economy is rapidly becoming a thing of the past. Today, Israel is a partner in a number of bilateral and multilateral trade agreements that reduce both tariff and non-tariff barriers on several key imported foods. Indeed, food imports have risen sharply in recent years, and this window of opportunity is still open to exporters from the United States and elsewhere. Many foreign food companies view the Israeli market as a springboard to the rest of the Middle East in an era of peace.

General Background

In the first half of this decade, Israel's Gross Domestic Product (GDP) grew at an average annual rate of 5.9 percent; per capita GDP increased from \$11,000 in 1990 to an estimated \$16,700 in 1998. However, in 1996 and 1997, the economy slipped into a slow-down that continued through 1998. Per capita GDP in 1998 is expected to remain at its 1996 and 1997 levels.

Table 2-1 - Macro Indicators for 1994-1996, Israel

Indicator	1994	1995	1998
GDP per capita	\$13,600	\$14,450	\$16,700
Per capita consumption	\$ 8,750	\$ 9,250	\$10,300

Food Consumption in Israel

The State of Israel probably constitutes the largest market for kosher food in the world. With 95 percent of the population consisting of Moslems and Jews, the demand for kosher food, which also meets the Moslem halal dietary requirements, is high. Even secular members of both religions consume large quantities of kosher food. Supermarkets, hotels, and most institutions such as hospitals, the army, and the police, only handle kosher foods, thereby enabling anyone to eat the foods without fear of religious transgression. Thus, an analysis of the market for kosher food in Israel is in fact a review of the total food market.

An examination of imported kosher food boils down to a review of all food imports, of which about 90 percent or more are kosher. In the case of meat and meat products, by law all imports are kosher. Agreements between the Government of Israel and the Palestinian Authority (PA) determine that import duties, health, and hygiene requirements for imports, and the technical standards apply throughout both territories. As an exception, the Kosher Meat Import Law does not apply in the PA, which requires that imported meat and poultry undergo halal slaughter.

The Jewish Sector

The Jewish sector of the population buys 27 percent of its food in small grocery stores and mini-markets, 17 percent in open-air markets, 42 percent in supermarket chains, and 14 percent in private supermarkets. It is supermarket policy to carry only kosher foods. The Orthodox sector includes 500,000 consumers in 80,000 households. The majority buys only in stores that conform to strict religious regulations and standards and cater specifically to this population. Average food expenditures in this sector reached 45 percent of disposable income, almost double the national average of 25 percent.

Supermarket chains are targeting the ultra-Orthodox religious sector because of its great market potential. In the past few years, the large chains have opened new food stores as well as subsidiary chains designed to cater specifically to the needs of the ultra-Orthodox sector.

Table 3-1 - Private Consumption Expenditure on Food Products, 1990-1997—Israel*

\$ Millions

Category	1990	1991	1992	1993	1994	1995	1996	% of food expenditure	% increase 1990-1996
Meat & meat products	1,237	1,340	1,441	1,587	1,662	1,742	1,780	15.3	43.9
Bread & cereals	1,207	1,243	1,316	1,388	1,457	1,516	1,595	13.7	32.1
Milk & dairy products	963	1,002	1,046	1,113	1,192	1,231	1,230	10.6	27.7
Soft drinks	758	815	769	898	1,012	1,102	1,185	10.2	56.3
Sugar & sugar products	729	777	826	847	896	1,041	1,100	9.5	50.9
Fresh fruit	749	795	818	894	884	982	978	8.4	30.5
Processed fruit & vegetables	663	736	669	756	859	867	1,035	8.9	56.1
Fresh vegetables	574	586	602	642	659	725	753	6.5	31.2
Tobacco	389	396	438	437	494	506	489	4.2	25.7
Alcoholic beverages	204	194	225	254	394	390	397	3.4	94.6
Fish	236	245	251	284	318	357	354	3.0	50.0
Tea, coffee & cocoa	205	216	247	280	278	282	277	2.4	35.1
Edible oils	162	176	185	181	204	217	209	1.8	29.0
Eggs	168	175	172	155	174	189	206	1.8	22.6
Total	8,243	8,695	9,005	9,717	10,483	11,146	11,592	100.0	40.6

* According to the Israeli National Accounts definition, private Consumption Expenditure is defined as the aggregate of private consumption expenditure of households and the consumption of non-profit institutions serving households, where the major part of their expenditure is not financed by the government.

New Immigrants

The recent large wave of immigration to Israel, mostly from the former Soviet Union, now includes more than 800,000 adults, one-fifth of Israel's total adult population.

Table 3-2. Consumption According to Major Food Categories, 1996—Israel

\$ Million

Category	Expenditure	Percentage of Total
1. Animal products		
Meat and meat products	1,705	13.5
Fish	292	2.3
Eggs	210	1.7
Milk and dairy products	1,445	11.5
Total Animal Products	3,652	29.0
2. Fruit and vegetables and their products		
Fresh fruit	1,054	8.3
Fresh vegetables	721	5.7
Processed fruits & vegetables	1,063	8.0
Total Fruit and Vegetables	2,838	22.0
3. Bread and cereals	1,837	14.5
4. Beverages		
Soft drinks	1,117	9.0
Alcoholic beverages	489	3.8
Tea, coffee and cocoa	403	3.2
Total Beverages	2,009	16.0
5. Sugar and sugar products	1,321	10.5
6. Edible oils	206	1.6
7. Tobacco	807	6.4
Total	12,670	100.0

Source: Central Bureau of Statistics, Government of Israel.

Other Consumers

The rest of Israel's consumers are mainly Moslem Arabs. Their personal income tends to be below the average for the population while family size is above average. They prefer buying in neighborhood open-air markets, where prices generally are lower than in the supermarkets. By the end of 1998, major supermarket chains began to penetrate into the large Arab population centers.

Table 3-3: Arab Consumer Behavior in Retail Food Outlets—Israel

Product Group	Percent of Consumers Buying in*	
	Local Grocery Stores	Open-air Markets
Milk products	100	10
Cleaning materials	87	20
Fresh meat, fish	82	17
Fruit, vegetables	48	100
Preserves	43	10
Frozen meat, fish	7	2
Frozen pastry products	3	1

*Columns are not intended to total 100 percent.

Marketing Channels and Merchandising Methods

There are approximately 1.5 million households in Israel, each of which spends on average \$4,750 annually on food products—a \$7 billion dollar market. An additional amount, estimated at \$4 billion per year, is spent on institutional consumption, including restaurants, hotels, and the military.

Supermarket chains command close to 60 percent of the total retail market. The share of the two largest supermarket chains together exceeds 30 percent. The retail chains announced that they intend to adopt a new idea known in the United States as “food service centers,” by locating a small “home kitchen” in the store with chefs who will sell fresh and home-style foods to consumers. The first retail chains to adopt this method are Supersol and Co-op Blue Square. Supersol intends to make the food service center an integral part of the store and to have it operated by the chain itself, whereas the Co-op chain intends to hire sub-contractors to run their centers.

The two largest supermarket chains occasionally organize month-long events to promote products typical of a certain country. In the past, Israeli consumers were able to enjoy supermarket “festivals” based on products from countries such as the United States, Greece, The Netherlands and countries from the Far East.

Table 4-1. Where Consumers Purchased in 1996—Israel

Product Group	Discount super- markets	Grocery stores and mini-markets	Regular super- markets	Hyper- markets	Other
Pasta	25	20	17	17	22
Biscuits & cookies	21	22	17	14	26
Oil	26	18	16	16	25
Processed fish	22	14	18	16	31
Proc. meat products	25	11	16	18	30
Milk products	16	48	15	13	9
Ice cream	16	40	14	14	16
Sweet products	20	27	15	16	23
Soft drinks	23	25	16	15	22
Beer	23	23	16	16	23
Alcoholic beverages	24	17	16	14	31
Canned fruit & veg.	25	16	15	15	30
Frozen vegetables	25	12	21	19	23
Baby food	20	21	16	13	31
Snacks	21	28	15	14	20
Soups	22	21	19	16	23
Coffee & tea	24	21	18	15	23

* Note to table 4-1: The table includes the entire Jewish population, including non-religious, orthodox and immigrant sub-sectors. Rows do not add up to 100 percent due to rounding.

Also, it is clear that people buy snacks at neighborhood and small stores, whereas they prefer buying most other foods in the retail chain stores. About 20 percent of the brands found are foreign, while some are produced domestically under license. International companies such as Coca Cola, Pepsi Cola, Nestle, Del Monte, Unilever, Philip Morris, and Danone have formed partnerships with large Israeli manufacturers, or are searching for potential partners. Examples of existing partnerships include Nestle and Osem, as well as Unilever and Strauss. These partnerships create a great deal of competition among the food suppliers that mainly benefits the consumer.

Israel's Domestic Food Industry

The following review sums up those key groups with most significance to U.S. exporters.

Meat and Poultry

The meat and poultry sector is the largest food industry in Israel. This industry includes beef, lamb, chicken, turkey, and water fowl. There has been a significant increase in the amount of fresh and frozen beef sold in recent years, but only a small increase in poultry sales. This is due to a lack of variety in processed poultry products and insufficient marketing efforts by the industry. Frozen meat is imported by some supermarket chains. They have their own facilities and market the meat under their own brand names.

All of the dressing plants and slaughterhouses are kosher. By law, imported meat and products must also be kosher. At present, there are only small import quotas and high duties outside of the quotas for poultry. It is possible that in some niches import opportunities will open up, especially regarding imports of processed poultry from countries such as the United States.

Paradoxically, the enactment of the Kosher Meat Import Law has increased local production of and demand for pork. The restrictions on imports contributed to a significant rise in the price of choice cuts. As beef prices rose, those consumers not concerned about kashrut sought substitutes such as pork.

At present, mainly unprocessed meat and poultry are being sold to the consumer. An exception is turkey meat for which further processing is extensive. In 1994, an estimated 4,000 tons of sausage were sold. One of the significant developments in recent years was the opening of a large number of delicatessens which sell specialty meat products in addition to other items. Today there are approximately 600 delicatessens in Israel. They sell high-quality fresh meat products and prepared meat meals.

Fish Products

Per capita fish consumption is 11 kilograms a year but the fish industry has more than doubled production since 1990. In 1995, the industry's revenue reached U.S.\$106.7 million. One problem in this market is the prohibition against importing fresh and

chilled fish, to protect the local aquaculture producers. Today, 70 percent of fish sales consist of imported frozen salt-water fish, which are considered by consumers to be of a lower quality than fresh fish.

The most popular fish in Israel is the carp, followed by the St. Peter's fish, together constituting 50 percent of the market. Other popular breeds are trout, gray mullets, and tilapia. The Ministry of Agriculture objects to liberalization of imports in order to protect the local producers. On the other hand, the Ministry of Finance demands that this market be opened up immediately to imports in order to lower prices.

At present, there are limited imports of certain kinds of fish, especially herring and salmon from Canada, Norway, and Denmark. Frozen filets of salt-water fish are freely importable. The United States enjoys a duty-free quota of 200 tons of fresh or chilled fresh-water fish and over 3,500 metric tons of frozen salt-water fish. The latter quota goes largely unutilized.

Israel's tuna market has recently changed considerably due to increased imports. Imported tuna is much cheaper than the locally processed products and, because of its great popularity in Israel, there has been a steep increase in the supply. Annual sales of canned tuna average \$180 million, six times more than the revenue from canned sardines. The main sources are the United States and the Far East.

Bakery and Noodle Products

Bakery products in Israel are increasing in variety and improving in quality, as sales in 1995 amounted to \$929 million. A demand exists for high-quality imports as indicated by the entry into the Israeli market of Sara Lee's frozen cakes and pies and Pillsbury frozen, ready-to-bake products. Consumers have developed a taste for a wide variety of breads such as the French baguette, the Italian giabetta bread, and diet breads. Many types typical of Scandinavia and Eastern Europe are appearing in supermarkets and specialty shops, as are special Mediterranean types including dried tomato bread, eggplant bread, walnut and date bread, and many more. Semi-baked frozen bagels are imported from the United States, and chains such as Dunkin' Donuts have made their debut.

There are approximately 30 modern, commercial bakeries in Israel. These represent a significant market for exporters of kosher raw materials, additives, fillings, and other baking inputs. Estimated revenue in the bakery market is \$250 million per year, with sales of 190,000 tons. The average Israeli consumes 37 kg. of bread annually, which is 100 grams a day. This is a relatively low consumption compared to Western countries such as Greece (300 gr.) and France (175 gr.). Although bread consumption is still comparatively low, it has increased significantly in the last few years. Specialty breads now account for 55 percent of sales, standard price-controlled bread for 32 percent, and pita bread for 13 percent.

Savory pastry products are sold frozen in supermarkets or are prepared and sold in small food outlets. The wide variety of bakery products sold frozen in supermarkets ranges from regular pizzas to various types of “burekas,” pastries with potato and spinach fillings. The frozen pizza market is estimated at \$4 million, 20 percent of which consists of large family-size pizzas.

Still, Israeli consumers do not eat a lot of frozen pizzas compared to consumers in other Western countries. This product reaches only 40 percent of the households in Israel, some of which consume it only when they have time constraints. The manufacturers claim that during the first half of this decade, consumption of frozen pizzas grew by more than 60 percent, and that growth is expected to continue.

Another pastry product that has become popular is ready-to-eat cakes. The Supersol supermarket chain has signed an import agreement with Sara Lee. According to this agreement, Sara Lee initially will supply \$2 million in frozen pastry products such as butter cakes, cheese cakes, various kinds of pies, and low-calorie cakes.

The success of the ready-to-eat cakes in the bakeries caused the supermarket chains to open bakeries inside the supermarkets. At first, almost all of the chains baked the products themselves. Today, only Supersol bakes its own pastries, while the other chains buy frozen products from the manufacturers and finish them for the customer in the supermarket.

Every major supermarket now has its own bakery that offers various kinds of store-prepared baked goods. The cakes include chocolate cakes, English cakes, and coffee cakes (55 percent to 60 percent of the market), yeast cakes (20 percent), and cold roll cakes (15 percent to 20 percent). The two leading manufacturers are Osem and Elite, and they aggressively compete with each other. Still, Israelis consume only 1 kg of prepared cakes a year, compared to European consumers who eat 7.5 kg. This market has a high potential for future growth.

Another cake product new to the market is wrapped in individual portions and sold in packages of six individually wrapped pieces. Osem intends to enter this market with a new product, but the importers claim that local manufacturers do not pose a threat to them.

Noodle products, especially pastas, have found a permanent spot in the Israeli food market in this decade. In Tel Aviv alone, there are some 40 restaurants that specialize in Italian food. To date, almost no pasta has been imported from the United States because U.S. manufacturers pack in pound and half-pound packages that do not conform to the Israeli standards of 500 and 1,000 grams and their multiples. As of September 1998, these weight standards are not compulsory and the door is now open to U.S. pasta. Per capita consumption in Israel is 8 kg per year.

Analysts estimate revenues from the pasta market at about \$80 million a year. Local pastas, manufactured mostly by Osem, constitute nearly 60 percent of supermarket sales. Imported pasta and fresh-chilled pasta account for 29 percent of the market. Some pasta flown in regularly from Europe has reached a 13 percent share.

The pasta market is expected to grow significantly in the next few years, as it is still in its infancy. Among the expected developments are more imports, including frozen pasta, which will compete with chilled products.

Snack Foods

Snacks, mostly of the salty type, are probably the most highly competitive sector in the food market. Elite and Osem compete continuously in this category. Estimates place the value of consumption at more than \$100 million annually. This includes 4,500 tons of wheat snacks and 8,500 tons of peanut snacks. In the summer, the consumption of snacks increases by approximately 20 to 30 percent. Today, Osem controls 67 percent of the snack market, including 32 percent of the potato chip market.

Snack foods are divided into five major groups: peanut snacks (50 percent of the snack market), wheat snacks (25 percent), potato chips (15 percent), corn snacks and extruded snacks (together total 10 percent). Unilever and Pepsico are among the main suppliers of imported snack products. Ruffles and Doritos are produced domestically by Elite under license.

The average Israeli consumes 300-350 grams of potato chips a year. In 1991, 400 tons of extruded, saratoga-type potato chips were sold. By 1995, the figure had climbed to 1,300 tons and by 1996, it had reached close to 1,600 tons.

Popcorn is another important snack. Israelis eat small quantities of popcorn: only 250 tons of microwave popcorn is consumed annually, much of it from duty-free imports. Although this number is low, there has been a significant annual increase in the last few years of 10 percent to 15 percent. Popcorn is sold in Israel in three different formats: microwave popcorn, pot popcorn, and prepared popcorn.

The local manufacturers have focused on microwave popcorn, which is easy to prepare. In Israel, 68 percent of households have microwave ovens. Popcorn manufacturers believe that Israeli consumers are seeking easy-to-prepare products, such as microwave popcorn, but they claim that the problem with this product is lack of awareness. They are trying to change this through aggressive marketing. Imports of U.S. microwave popcorn are growing and the market appears to be far from saturated. Microwave popcorn enters duty-free under the U.S.- Israel Free Trade Area Agreement, while popping corn pays a significant duty except for a small tariff-rate quota of some 100 metric tons.

Wine

Consumption of alcoholic beverages is still very low due to Israeli habits; wine and beer are not an integral part of daily meals. High duties on wine and spirits limit market penetration. Wine consumption in Israel is increasing, but from a very low per capita base of 5 liters to 7 liters. But the consumption of red wine has tripled, and more people are shifting to quality wine from low-quality semi-sweet and sweet types. The shift in tastes has created surpluses of dry and semi-dry whites and a serious shortage of red wines. This has increased the significant planting of quality red varietals. Meanwhile, imports are filling the void but the amount is still relatively small—less than \$2 million a year.

The main problem with imported wines is that the religious kashrut requirements also apply to this product. Kashrut regulations concerning wine are strict and foreign manufacturers who abide by them will most likely increase their costs significantly. However, most consumers of premium wines are not religious and do not limit themselves to the kosher product, a fact which opens up new opportunities for U.S. exporters who can provide a competitive, quality product capable of vying with the low-cost, high-quality products of Chile, Argentina, South Africa, Spain, and Portugal, as well as with the costlier quality wines of Australia. The advantage of kosher wines lies in their acceptability to the hotel and supermarket segments of the market. On the other hand, local buying habits limit supermarket purchases to the lower quality, low-cost wines. It is difficult for low-cost U.S. wines to compete due to high transport costs and duties in excess of 60 percent.

Analysts estimate the private (home) wine market at \$130 million. Consumption is divided among semi-dry wines (40 percent), dry red wines (20 percent), dry white wines (20 percent), and the remaining semi-sweet and sweet wines. Local wineries manufacture 30 million bottles of grape products every year, representing 20-22 million liters.

The export value of Israeli wine was about \$15 million in 1996, and it's expected to grow. Imports were negligible, but the figure in 1997 was approximately \$3 million, the majority from France, Italy, Romania, and Spain.

Sauces

The growing sauce market in Israel is estimated at 2,400 tons a year and valued at \$19 million. Osem is the leading manufacturer of sauces, controlling over 50 percent of the market. Other leading companies are Vita, Segal, and Strauss. The share of imported goods in this market is 25 percent. A number of popular American brand names are found on the local shelves, including Heinz, French's, Paul Newman, Ken's, Hellman's, and several more.

The market includes salad dressings (25 percent), pasta sauces (18 percent), soy sauce (18 percent), cooking sauces (18 percent), dry mixes (17 percent), and chilled sauces (4 percent).

Imports of Food Products Into Israel

Principal Imports

The vast majority of food imports are kosher. The principal food products imported into Israel are food and feed grains; especially wheat, corn, and barley; sugar; soybeans for the vegetable oil industry; beef; and processed foods.

Trends in Food Imports to Israel

In 1996, food and agricultural imports to Israel totaled \$2.1 billion, of which approximately \$508 million were raw materials for the food industry, \$329 million were milling wheat and soybeans, and another \$437 million represented feed and other inputs for agriculture. Food imports show a consistent rising trend throughout the present decade.

Table 6-1. Imports of Processed Food and Raw Materials for Food and Agricultural Industries—Israel

(\$ Millions)

	1995	1996	1997
Prepared Food & Beverages	682.5	746.6	732.3
Tobacco & Products	73.4	78.1	78.6
Subtotal	755.9	824.7	810.9
Milling Wheat	145.4	189.7	184.4
Soybeans	126.8	139.4	184.8
Other Raw Materials for Food Industry	509.6	507.8	574.2
Subtotal	781.8	836.9	943.4
Feedgrains & Fodder	292.6	360.7	273.9
Other Imports for Agriculture	82.8	76.4	91.3
Grand Total	1913.1	2098.7	2119.5

Imports of unprocessed food products for the food industry totaled \$508 million in 1996, rising 13 percent to \$574 million in 1997. This increase can be attributed in part to Israel's entering the World Trade Organization (WTO) in 1996, and to the reduction of some trade barriers.

Total imports of food products into Israel increased by close to 50 percent during the 1990s. Products that experienced an especially high growth rate include coffee beans, unrefined soy oil, chewing gum, baby food, pasta products, beverages, and various prepared foods. This trend was somewhat dampened by the economic slowdown experienced in 1997 and 1998.

Imports from the United States

Imports from the United States of food and raw materials for the food and agricultural industries totaled \$548 million in 1995 and accounted for 28 percent of total food imports. In 1996, these figures rose to \$633 million and 30 percent, respectively.

The U.S. share is especially high for products such as fruit and nuts (47 percent of imports to Israel in 1996); cereals (88 percent by weight); oilseeds for the oil industry (92 percent by weight); meat and fish products (61 percent); cigarettes; and tobacco (83 percent).

Some major grain products imported from the United States in 1996 included:

- Wheat, 586, 000 metric tons;
- Corn, 585,000 metric tons;
- Sorghum, 308,000 metric tons.

However, in 1997 and 1998, U.S. feed grain prices were significantly higher than those of the competition and the market share declined significantly. With respect to corn, for example, from 1997-1998, U.S. market share fell from 79 percent to 24 percent.

Expected Developments in the Food Market

The supermarket chains' share of the food market is growing constantly, and their aim is to reach more than 75 percent of the market. The continuous growth of the supermarket chains is expected to cause some significant changes in the structure of the market in addition to effecting changes in consumer buying habits. An important development will be that distribution centers, today operated by the food manufacturers, are expected to be operated in the future by the supermarket chains themselves. This will give them a significant advantage over the small food stores, and it's expected to increase their share of the market. Already, there is evidence of concentration and consolidation throughout the food sector, mainly caused by increasing economies of size in a very competitive market.

A food category expected to grow is convenience goods. Consumption of these products is expanding significantly together with increases in the standard of living and with the growing employment of women outside the home. Private label products that are manufactured for the chains are also expected to gain more strength in the near future. It is expected that the supermarkets will take advantage of the present recession and customers' declining purchasing power to increase the number of their less expensive private label products.

Dairy products are expected to witness a significant increase in competition as Strauss, which has joined Danone this year, will compete with the giant Tnuva, which is looking for a strategic partner to help it manage the 80 percent share of the market which it presently controls. It's expected that in 1998 and 1999, the number of branded dairy products will continue to grow, especially in the soft white cheese and liquid product sectors.

Sweets, such as chocolates, and ice cream are two additional product groups where the competition can be expected to generate increased advertising and sales campaigns to ultimately expand the market.

Mineral water, although a minor item, is expected to increase sales despite the recession. New trademarks have appeared, both from domestic production and from imports. Advertising and competition are based both on snob appeal and on price.

Implications of the Peace Process

In the Paris Accord of 1994, and subsequent agreements, representatives of the Palestinians and the Government of Israel agreed to create a single customs union between the two entities. Accordingly, tariffs for the two areas are identical and all Israeli food standards and import regulations apply to goods destined for the Palestinian Authority. There is only one exception and that is for meat and poultry. Meat imports to Israel, by law, require kosher certification by the Chief Rabbinate whereas for the PA a halal certificate is required.

There is one advantage in exporting meat and poultry to the Palestinian population. While imports to the PA are not subject to the strict kashrut limitations imposed on the Jewish population by the Council of the Chief Rabbinate, products considered kosher in the United States generally would be acceptable as meeting halal requirements. In addition, the attractiveness of importing lamb and mutton and their products, which are favored by these consumers, is likely to increase.

In both cases, local production of poultry and lamb is relatively expensive because of problems with population density, poultry diseases resulting from population density, and the high prices of imported feed and other inputs. Farmers of the Palestinian Authority raise few cows for beef or for dairy products. Lacking the stringent kashrut requirements of Israel's Chief Rabbinate, and due to the fact that Israel's kosher meat import law does not apply to the PA, it is possible to develop a market for American poultry, beef, and lamb, which have undergone halal slaughter, and their products.

The Paris Accord detailed the phytosanitary and veterinary regulations that govern the transfer of plants and animals and their products between the two entities, but other than that it grants all Palestinian produce unlimited access to the Israeli market. In view of the joint customs area, the tariff-rate quotas in existence for U.S. exporters under the 1996 U.S.- Israel Agreement on Food and Agriculture are shared between Israel and the PA. Allocation of quota shares is achieved by annual negotiations between representatives of the two bodies.

On November 13, 1996, President Clinton signed a proclamation granting goods from the West Bank and Gaza duty-free entry into the United States provided the Palestinians grant reciprocity with respect to U.S. goods. In view of the limitations on many imports imposed by the U.S.-Israel agreement, the reciprocity condition included in the Presidential proclamation cannot be effective until Israel also removes its quota restrictions and tariffs on a long list of food and agricultural products.

As the peace process progresses, so will the creation of commercial ties between Israel, Jordan, Egypt, and the Gulf States. This could prove very attractive to U.S. manufacturers of kosher and halal products. Already, there are shipments from Israel through Jordan to various destinations, and the prospects are for this volume to grow.

Implications of International Trade Agreements

General Background

Since the beginning of this decade, there has been a significant growth in imports of food to Israel. A large amount of this growth is due to the international trade agreements signed during these years. Of the bilateral agreements, the two most significant are with the European Union, Israel's main trading partner, and with the United States. A major breakthrough was provided by Israel's accession to the World Trade Organization and its introduction of trade liberalization measures, which opened Israeli markets to many new food products.

Israel's government is trying to protect several sensitive agricultural subsections from imported products such as low-cost imports of fish, poultry, fruit, and vegetables. Following the establishment of the WTO, it created a series of very limited Tariff Rate Quotas (TRQ) and ex-quota duties, which in most cases ensure that most imports will be unprofitable. Beef and beef products are not in this category, although imports are limited by law to kosher products.

The products that benefit the most from the trade agreements with the United States and other countries include various kinds of fruit and vegetable products (apples, pears, dried vegetables, juices, preserved products), nuts, edible oil, sugar products, infant food, sauces, alcoholic beverages, and animal food. As far as U.S. manufacturers are concerned, the trade agreements create a wide range of opportunities to penetrate the Israeli food market. In addition, exporters can take advantage of the wide diversity of the agreements by establishing businesses in Israel — directly or in partnership with Israeli manufacturers — and, in this manner, penetrate other markets such as the European Union with which Israel has a free trade area agreement. Of course, any exportable products resulting from joint processing must comply with the appropriate rules of origin.

United States-Israel Free Trade Area Agreement of 1985

As a member of the World Trade Organization (WTO), Israel has agreed to replace non-tariff barriers with equivalent duties that are to be reduced over time. In the United States-Israeli Free Trade Area Agreement (FTAA), signed in 1985, both parties agreed to remove all tariffs by January 1995, while allowing non-tariff protection for sensitive agricultural products which are subject to agricultural policy considerations. The United States considers that the combination of the FTAA and the WTO agreements requires Israel to open its market completely to U.S. products. The Government of Israel argues that both the FTAA and the WTO Agreement allow each economy to protect its sensitive products from undue competition, therefore it is necessary to re-negotiate the U.S.-Israel agreement to take the WTO requirements into account without leaving Israeli agriculture without some degree of protection.

An interim solution to the impasse was negotiated, beginning in late 1995, in which a 5-year framework agreement was developed, where Israel granted U.S. food and agricultural products a gradual and continuously improved access to its markets. The agreement is to be renegotiated towards the year 2001. The result of the framework agreement, effective from December 5, 1996, is that total bans and limited quotas, which existed at the end of 1995, were replaced by TRQs in some cases, and by duties or fees. This provided U.S. products with at least a 10-percent advantage over Most Favored Nation (MFN) tariffs. The U.S. preference is scheduled to improve annually by varying proportions, depending on the sensitivity of the product.

As a result of this arrangement, fresh fruits and vegetables, and a number of other imported agricultural products that traditionally had been totally banned, are now importable with payment of significant duties. Already in 1996 and 1997, U.S. apples and pears as well as a variety of frozen vegetables, berries, and other fruits have found a market in Israel.

Because agricultural rules of the Israel-U.S. Free Trade Area Agreement allow imposition of “fees” and levies but not duties, the Israel Customs Tariff shows all agricultural products of U.S. origin as being “exempt” of duty. However, a separate government order indicates that many of the fees and levies imposed on U.S. imports exceed 100 percent.

The new agreement divides imports to Israel from the United States into three product lists:

- A: Products enjoying unimpeded access to the Israeli market— no duty, no levies, and no quotas.
- B: Products subject to TRQ under which generally the tariffs are zero for limited quantities. On additional imports beyond the TRQ amounts, importers pay the duties or fees appearing in List C.
- C: Products subject to duties for which American exporters enjoy special preferential rates compared to the general Most Favored Nation (MFN) tariffs. In most cases, the discount for American products ranges from 10 percent to as much as 50 percent or 60 percent of the MFN rate, and it improves annually over the 5-year life of the agreement.

Details of the products and the individual lists can be obtained from USDA's Foreign Agricultural Service in Washington, D.C. The International Trade Policy contact for this information is Ms. JonAnn Flemings — telephone (202) 720-1277, fax (202) 690-2079, or e-mail FlemingJ@usda.fas.gov

Exporting to Israel: Practical Considerations

Customs Valuation and Other Taxes

Under the United States-Israel Free Trade Area Agreement (FTAA), all duties imposed on U.S.- made products were eliminated by January 1, 1995. As Israel also maintains FTAA's with the European Union (EU) and European Free Trade Association (EFTA), U.S.-processed products compete, in terms of taxation, with most of the EU and EFTA goods. As a result, U.S. products have a substantial market access advantage over suppliers from the Far East, Japan, and other countries. Israel's FTAA with the EU does not include agriculture, thus the duties paid on food and wine of European origin partially offset the increased transportation expenses that add to the cost of U.S. products.

All imports, including those from the United States, are subject to the Value-Added Tax (VAT) of 17 percent and, for some products, purchase taxes. In the case of food, beverages, and tobacco, a purchase tax is imposed almost exclusively on alcohol and alcoholic beverages, excluding table wine, and on cigarettes.

Israel levies a 17 percent value-added tax (VAT) on virtually all products sold in Israel, including imports, with the exception of fresh fruits and vegetables. The VAT is levied on the cost, insurance, and freight (C.I.F.) landed cost plus purchase tax. VAT is recovered by the importer upon resale of the goods and is ultimately paid by the consumer on the basis of the retail price.

Import Licenses

All import licensing requirements for U.S.-made consumer and industrial goods have been eliminated under the FTAA, including for most food and agricultural products. However, in the case of products for which there is a tariff rate quota, the Ministry of Agriculture or of Industry and Trade issues a license exempting the bearer from duty on the quantity indicated in the license. Importers wishing to bring in goods without availing themselves of a TRQ are not required to obtain a license except for veterinary or phytosanitary purposes.

Import Regulations

In order to import food products into Israel, they must conform to the standards set by one or more of the following official bodies: the Ministry of Health Food Control Administration, the Standards Institution of Israel and, in the Ministry of Agriculture, the Israeli Veterinary Service, and the Plant Protection and Inspection Service. Import licenses for most products subject to TRQs are provided by the Ministry of Industry and Trade or the Ministry of Agriculture to Israeli residents.

In principle, the Ministry of Health requires that all food products entering the country be accompanied by an import license indicating any limiting conditions the Food Control Administration may deem necessary to impose. The Ministry has strict regulations for imported food products and thoroughly inspects each product entering the country. Authorization to import food products requires a battery of laboratory tests and compliance with packaging and labeling standards. For details of these requirements, see Appendix B.

Approval of the product by U.S. regulatory authorities such as the Food and Drug Administration (FDA) for free sale in the United States makes entry into the Israeli market easier but not guaranteed. The Ministry has quarantine stations in the ports where food products are inspected. This inspection takes place after the importer receives preliminary approval by the Ministry as being importable and an import license has been issued. Only then can the importer contract to bring the product. Any limiting conditions or special requirements are specified on the import license.

For information on entry procedures and requirements for processed and packaged food, direct inquiries to:

Dr. Brian Cuzzin, Director
Food Control Administration
Ministry of Health
12-14 Ha'Arba'a St.
61070 Tel Aviv, Israel
Phone: (011) 972-3-563-4782
Fax: (011) 972-3-561-9549

Standards

The Standards Institution of Israel (SII) stipulates specific requirements which must be met by imported products. These standards include restrictions on labeling and packaging of food, including the number of units per package, as well as technical specifications with respect to chemical and physical attributes.

It is the declared policy of the Government of Israel to adopt international standards wherever possible, and to implement mandatory standards related only to safety, health, and the environment. In general, the government tends to follow European requirements in its regulations and in some instances, these differ from the U.S. Food and Drug Administration and other U.S. regulatory agencies' requirements.

The SII is the agency responsible for the development of most product standards, compliance testing, and certification of products and industry quality assurance systems. For further information, interested firms should contact:

The Standards Institution of Israel
42 Levanon Street
Tel Aviv 69977, Israel
Tel: (011) 972-3-646-5154
Fax: (011) 972-3-641-9683

Israel has not officially adopted International Standardization Organization (ISO) standards, although there is a growing preference for ISO standard products among Israeli importers. Manufacturers who export food products to the EU often require ISO certification on raw materials for food processing, in order to comply with the specifications of their European buyers.

Fruit and vegetables require a phytosanitary certificate. The Plant Protection and Inspection Service of the Ministry of Agriculture determines import conditions for fresh fruit and vegetables and regularly inspects grain and fodder shipments prior to authorizing their discharge at the ports of entry. For further information:

Mr. Haim Chen, Director
Plant Quarantine Division
Plant Protection and Inspection Service
Ministry of Agriculture
P.O. Box 78
50250, Bet Dagan, Israel
Phone: (011) 972-3-968-1550
Fax: (011) 972-3-968-1582

Labeling and Marking Requirements

Israel has strict marking and labeling requirements that frequently differ from those of other countries. U.S. exporters should consult with their Israeli importer prior to shipping. All imports into Israel must have a label indicating the country of origin, the name and address of the producer, the name and address of the Israeli importer, the contents, and the weight and volume in metric units. In all instances, Hebrew must be used; English may be added provided the printed letters are no larger than those in Hebrew. As of September 1998, packages that do not conform to the Israeli weights and measures standards are admissible, provided that, in the shop, they bear a label indicating price per unit. Nutritional labeling is compulsory on all packaged foods.

For information on food labeling and packaging contact:

Dr. Brian Cuzzin, Director
Food Control Administration
Israel Ministry of Health
12-14 Ha'Arba'a Street
61070 Tel Aviv
Tel: 972-3-5634782
Fax: 972-3-5619549

Shipping Documentation

U.S. exporters to Israel must follow U.S. Government requirements regarding export control documentation. The Israeli Customs Services prefer that exporters use their own commercial invoice forms containing all required information, including name and address of supplier, general nature of the goods, country of origin of the goods, name and address of the customer in Israel, name of the agent in Israel, terms, rate of exchange (if applicable), Israeli import license number (if applicable), shipping information, and a full description of all goods in the shipment including shipping marks, quantity or measure, composition of goods (by percentage if mixed), tariff heading number, gross weight of each package, net weight of each package, total weight of shipment, price per unit as sold, and total value of shipment. The total value of the shipment includes packing, shipping, dock and agency fees, and insurance charges incurred in the exportation of the goods to Israel. The commercial invoice must be signed by the manufacturer, consignor, owner, or authorized agent. U.S. exporters should also double-check with their freight forwarder, shipping company, or importer as to what other documentation, including bill of lading and packing list, is required.

U.S. Certificates of Origin for Exporting to Israel

To benefit from the provisions of the FTAA and the exemptions from duties embodied in it, a special "U.S. Certificate of Origin for Exporting to Israel" (CO) must be presented to Israeli Customs. The actual forms are printed by a number of commercial printing houses in the United States. For further information on how to obtain them, U.S. exporters may wish to contact the U.S. Department of Commerce (DOC) Israel Desk Officer or the nearest regional DOC office.

Kashrut Regulations

Except for meat and poultry and their products, imports are not required by law to be kosher. It is commercially advantageous to ship kosher products because they appeal to a significantly broader market. Under Israeli law, the Council of the Chief Rabbinate of Israel is the sole authority for determining whether a food conforms with the Jewish dietary laws and if it can be labeled “kosher.” This means that even if a product has been certified kosher by a rabbinical authority outside of Israel, the manufacturer or the importer must obtain the agreement of Israel’s Chief Rabbinate to be able to call it kosher for the Israeli market. The Rabbinate maintains a list of rabbis living abroad, whose standards and inspection procedures are acceptable to it.

In the United States, one body which is accepted almost without exception is the Union of Orthodox Jewish Communities, whose symbol is OU. The plant or plants will have to be under constant rabbinical supervision for as long as they wish to label their products “kosher.” This service is available for a fee.

A business in Israel that also sells non-kosher products generally will not be given a kashrut certificate. From a sales point of view, Orthodox Jewish consumers will generally not patronize a shop carrying mixed kosher and non-kosher products. Therefore, supermarket chains, hotels, and institutions interested in attracting customers concerned about kashrut do not carry non-kosher products.

Receiving a kashrut license is in most cases a worthwhile investment for Israeli businesses and can increase the market for an imported product by as much as one-third. The foreign exporter who wishes to export kosher food products to Israel must ascertain that his inspector is an authorized rabbi appearing on Israel’s Chief Rabbinate’s list, and that after the inspection the product will receive a stamp labeling it as kosher. This stamp must certify that the product is approved as kosher by the Chief Rabbinate or under its supervision, and has to include the name of the certifying rabbi.



Kosher Foods

Market Brief for Moscow, Russia

Summary

The number of consumers who regularly purchase kosher foods in Russia is extremely small, estimated at no more than several hundred people, according to one Moscow rabbi. The vast majority of people practicing the Jewish faith in Russia, observe the dietary laws in general, but they only occasionally buy kosher foods.

Prices for packaged, non-refrigerated, kosher foods such as cookies, candies, long-life juices, canned goods, and condiments are essentially the same as prices for identical non-kosher items. Prices for kosher dairy and meat products, however, are extremely high compared with similar non-kosher items. For Russian consumers of kosher foods, price is the most important factor. Most consumer-ready kosher products are imported from Israel and the United States. Popular kosher items include chocolate and non-chocolate candies, cakes, crackers, biscuits, cookies, dry soup-in-a-cup mixes, and wines.

Russia's total Jewish population is estimated at about 1 million. Moscow is home to Russia's largest Jewish community with a population of about 500,000, followed by St. Petersburg, which has the second largest Jewish population. Russia's other cities have no Jewish populations of any significant number. There are very few practicing Jews living in the Jewish Autonomous Republic in the Russian Far East.

Kosher Foods in Moscow

Kosher foods are sold in three stores and several supermarkets in Moscow. Two of the stores are located at synagogues. One location is a table in an outdoor parking lot where cows or steers are slaughtered by a kosher butcher according to the kosher tradition. Meat is not available every day. The other store that features kosher items is actually a regular "gastronom," about one-half the size of a U.S. suburban convenience store. The kosher section consists of two small refrigerated cases with 30-40 feet of shelf space. (The products sold are listed in the next section, with prices and notes on relative popularity.) Visits to a half-dozen kiosks and two more gastronomes did not reveal any kosher products for sale.

Prices for packaged, non-refrigerated, kosher foods like cookies, candies, long-life juices, canned goods, and condiments are essentially the same as prices for identical non-kosher items. For Russian consumers of kosher foods, price is the most important consideration. At the gastronom where kosher products are sold, the impact of price on demand was evident. Some products were in low supply because of high demand. The lower the price, the faster the product sold. Throughout Russia, consumers are extremely price-sensitive. One product that sells extremely well to consumers of kosher foods and other consumers throughout Russia is the dried cup-of-soup mixes—a Styrofoam cup containing dried noodles that becomes soup when hot water is added.

American kosher foods have no brand recognition in Moscow. Orthodox Jews and other strict observers of Jewish dietary laws buy fresh meat, and occasionally frozen meat, but never processed meat. Fresh kosher meats in Moscow are all domestic. Fresh kosher chickens sell for about \$4.00 per kilo, and fresh kosher beef sells for about \$7.00 per kilo. In the gastronom, one smoked chicken was priced at \$15.00 per kilo. The market for fresh kosher meats is also very small. Very little kosher fish is sold in Moscow; it is imported from Israel at extremely high prices.

According to the director of a small shop of kosher foods at one of Moscow's synagogues, Orthodox Jews prefer kosher foods from Israel to American kosher foods. This shop was opened about 3 years ago with only four or five kosher products on the shelves. Today, more than 100 items are found, significantly more products than found on the shelves of some of Moscow's larger supermarkets. According to the store manager, there are no regular distribution channels for kosher foods in Moscow. To get new products on the shelves requires visits to other wholesalers and supermarkets. Most Russian-Jewish consumers cannot afford to buy the more expensive kosher foods. The market is composed primarily of wealthy Jews from Georgia, foreign specialists working in Moscow, and tourists from the West.

The following is a list of kosher food items found in Moscow.

Baby Food

Beechnut, in 4 oz. and 6 oz. jars, 3.8 rubles (about \$.62). Mixed fruits, mixed vegetables, some meat dinner mixes. The 6 oz. sizes sell fastest, since they are cheaper on a unit basis. Beechnut, dry, 8 rubles (\$1.30), about 400 gr., various flavors (kasha).

Long-life Juices

Sunpride, in liter boxes, 8.5 rubles (\$1.30). Pineapple, grapefruit, orange, tomato. Grapefruit and orange are the most popular.

Oil

Mazola, corn oil, 18.6 rubles (\$3.00) per quart.

Soups, dry

OSEM (Israel), in Styrofoam cup, 7 to 7.5 rubles each (\$1.00 to \$1.20). Four types: noodles with vegetables, mushrooms, or chicken, and tomato. OSEM (Israel), in foil packets, four types: tomato, lentil, vegetable, chicken noodle; 55 gr, 5.2 to 7.5 rubles (\$0.95 to \$1.20) per packet.

Snack foods

Pretzels--OSEM (Israel), 80 gr. 3.5 rubles (\$.60). 200 gr. 7.6 rubles (\$1.20). Cookies--OSEM. Chocolate, strawberry, or apricot-filled vanilla cake-like cookie. 9.8 rubles for 400 gr. (\$1.60 for 14 oz). Crackers--OSEM. Cream crackers, extremely popular, 250 gr. 8.4 rubles (\$1.40 for 8.8 oz).

Confectionery

Candies Various brands of boxed chocolates, some less expensive than the same brands of non-kosher items in other gastronoms. For example, 135 gr. 12.4 rubles (\$2.00 for 5 oz.) for blueberry-filled chocolates. The blueberry candies are more popular than the cherry-filled candies, because the blueberry candies are slightly different and exotic, whereas cherries are practically the Russian national fruit.

Dried Fruit

Raisins--Sunmaid, approximately 6 oz., 9 rubles (\$1.45).
Prunes--Sunsweet, approximately 6 oz. for 13.6 rubles (\$2.20).

Jams (Israel)

Strawberry and grape, about 5 oz. jars for 9.2 rubles and 11.2 rubles (\$1.50 and \$1.80, respectively); strawberry is more popular (lower priced), but both sell well.

Spices/Condiments

Prices around \$.40 to \$.90 in 1 to 3 oz. plastic bags. (1 ruble approximately \$.16)
Ketchup (Israel) - 12 rubles (\$1.90) per 0.5 kilo.
Horseradish (Israel) - 24 rubles (\$3.80) per 0.250 kilo.
Horseradish (U.S.) - 18 rubles (\$2.90) per 0.250 kilo.

Canned foods

Olives, cucumbers (Turkey). Olives 540 gr. (1 lb. 3 oz.) 9.4 rubles (\$1.50). Cucumbers, same size, 5.8 rubles (\$0.95).

Beverages

Instant coffee (Israel) - 78 rubles (\$12.60) per 0.113 kilo.
Sprite, Cola, 7-Up (Russia) - 6 rubles (\$0.96) per 330 ml.

Alcoholic Beverages

GOLF (Israel)--330 ml. can (About 11 oz.), \$1.00 per can, four flavors: vodka with lemon or apple flavors; grapefruit drink with rum; and orange drink with gin, which is the most popular.

Vodka Keglevich (Israel) - 32 rubles (\$5.20) per 710 ml., four flavors.

Carmel Vineyards (Israel) - 31 to 55 rubles (\$5.00 to \$8.90) per 710 ml., seven flavors.

Dairy Products

Kefir--imported from Brooklyn in half-liter and liter plastic jars, at six times the local price (24 rubles vs. four rubles per liter for local non-kosher kefir, or \$3.80 compared to \$.65.)

Edy's ice cream - 31 rubles (\$5) per 0.5 kilo.

Cheese (Georgia, FSU) - 50 rubles (\$8) per kilo.

Cheese (Israel) - 15 rubles (\$2.40) per 0.250 kilo.

Mayonnaise (Israel) - 16 rubles (\$2.90) per 0.5 kilo.

Meat and Meat Products

Beef on bones - 30 rubles (\$4.80) per kilo.

Beef (boneless) - 45 rubles (\$7.30) per kilo.

Ground beef - 45 rubles (\$7.30) per kilo.

Sausage (kielbasa)- 35 to 51 rubles (\$5.60 to \$8.20) per 0.5 kilo.

Chicken franks - 26 rubles (\$4.20) per 0.5 kilo.

Poultry - Chicken - 25 rubles (\$4.00) per kilo.